

SHELBY COUNTY, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2020

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Shelby County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Darin Haake	Board of Supervisors	January, 2023
Steve Kenkel	Board of Supervisors	January, 2021
Charles Parkhurst	Board of Supervisors	January, 2021
Mark Maxwell	County Auditor	January, 2021
Carolyn Blum	County Treasurer	January, 2023
Geralyn Greer	County Recorder	January, 2023
Neil Gross	County Sheriff	January, 2021
Marcus Gross	County Attorney	January, 2023
Tony Buman	County Assessor	January, 2022

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DAVID A. GINTHER

INDEPENDENT AUDITOR'S REPORT

To the Officials of Shelby County

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Shelby County, Iowa as of and for the year ended June 30, 2020, and related notes to financial statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Officials of Shelby County

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Shelby County as of June 30, 2020 and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 15 to the financial statements, Shelby County adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, and the Schedule of County Contributions on pages 3 through 3f and on pages 43 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Shelby County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2019 (which are not presented herein) and expressed unmodified and qualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated February 16, 2021 on our consideration of Shelby County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Shelby County's internal control over financial reporting and compliance.

Cornwall, Rev. John W. P.C.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Shelby County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2020. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2020 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 12.3%, or approximately \$1,961,000, from Fiscal 2019 to Fiscal 2020. Property and other County Taxes and Local Option Sales Tax increased approximately \$289,000. Operating Grants and Contributions increased approximately \$136,000, and Capital Grants and Contributions decreased by approximately \$2,245,000.
- Program expenses of the County's governmental activities decreased 1.7%, or approximately \$237,000, less in Fiscal 2020 than in Fiscal 2019. Public Safety and Legal Services decreased \$125,000, Mental Health increased \$28,000, Roads and Transportation decreased \$264,000, and Governmental Services to Residents increased \$77,000.
- The County's net position increased 1.4%, or approximately \$399,000, from June 30, 2019 to June 30, 2020.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Shelby County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Shelby County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Shelby County acts solely as an agent or custodian for the benefit of those outside of County government (Custodial Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, and the County's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental and the individual Custodial Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents financial information on all of the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Position and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, and interest on long-term debt. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

2) A proprietary fund accounts for the County's Internal Service, Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

3) Fiduciary funds are used to report assets held in a trust or custodial capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Custodial Funds that account for E911 surcharge, emergency management services, empowerment and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Shelby County's combined net position increased from \$27.74 million to \$28.14 million. The analysis that follows focuses on the changes in the net position of governmental activities.

Net Position of Governmental Activities (Expressed in Thousands)			
	June 30,		
	2019	2020	
Current and Other Assets	\$ 12,574	\$ 13,107	
Capital Assets	25,428	25,490	
Total Assets	38,002	38,597	
Deferred Outflows of Resources	983	815	
Long-Term Liabilities	3,641	3,311	
Other Liabilities	483	370	
Total Liabilities	4,124	3,681	
Deferred Inflows of Resources	7,125	7,596	
Net Position:			
Net Investment in Capital Assets	25,368	25,460	
Restricted	3,348	3,844	
Unrestricted	(980)	(1,169)	
Total Net Position	\$ 27,736	\$ 28,135	

Net position of Shelby County's governmental activities increased approximately \$399,000, or 1.4% during the year. The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets, since they are unavailable for future spending. Restricted net position represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, decreased from approximately \$(980,000) at June 30, 2019 to approximately \$(1,169,000) at the end of this year.

Changes in Net Position of Governmental Activities (Expressed in Thousands)			
		Year Ended June 30,	
		2019	2020
Revenues			
Program Revenues:			
Charges for Services	\$	789	\$ 576
Operating Grants, Contributions, and Restricted Interest		4,551	4,687
Capital Grants, Contributions, and Restricted Interest		3,403	1,158
General Revenues:			
Property and Other County Tax		6,617	6,906
Tax Increment Financing		57	147
Penalty and Interest on Property Tax		28	16
State Tax Credits		402	404
Unrestricted Investment Earnings		107	99
Total Revenues		15,954	13,993
Program Expenses			
Public Safety and Legal Services		2,671	2,546
Physical Health and Social Services		519	578
Mental Health		272	300
County Environment and Education		640	643
Roads and Transportation		7,400	7,136
Governmental Services to Residents		358	435
Administration		1,968	1,954
Interest on Long-Term Debt		3	2
Total Expenses		13,831	13,594
Change in Net Position		2,123	399
Net Position, Beginning of Year		25,613	27,736
Net Position, End of Year	\$	27,736	\$ 28,135

Revenues of the County's governmental activities decreased 12.3%, or approximately \$1,961,000, from Fiscal 2019 to Fiscal 2020. Property and other County Taxes increased approximately \$289,000. Operating Grants and Contributions increased approximately \$136,000, and Capital Grants and Contributions decreased by \$2,245,000.

Fiscal 2020 saw an increase in total taxable valuation of \$27,395,000, which is a 3.1% increase, with the total tax asking increasing by \$249,000, or 4.0%.

The cost of all governmental activities this year was \$13.6 million, which is a decrease of \$237,000 when compared to last year. However, as shown in the Statement of Activities on page 6, the amount taxpayers ultimately financed for these activities was \$6.91 million because some of the cost was paid by those directly benefited from the programs (\$576,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$5,845,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, decreased from approximately \$8,743,000 in 2019 to \$6,421,000 in 2020, principally due to the decrease in Capital Grants, Contributions, and Restricted Interest. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$7,572,000 in property and local option taxes (some of which could only be used for certain programs) and other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Shelby County completed the year, its governmental funds reported a combined fund balance of \$5.01 million, an increase of approximately \$151,000 from last year's total of \$4.86 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- The General Fund, the operating fund for Shelby County, ended Fiscal Year 2020 with a fund balance totaling \$1,331,145. This was a decrease from Fiscal Year 2019 of \$139,401.
- The Rural Services Fund ended Fiscal Year 2020 with a fund balance of \$495,057. This was an increase from Fiscal Year 2019 of \$24,832.
- The Secondary Roads Fund ended Fiscal Year 2020 with a fund balance of \$2,367,403, up \$326,411 when compared to the ending balance for Fiscal Year 2019. The County continues to work for Federal and State grants and shared funding projects, such as FEMA, EWP, etc., to help offset the maintenance costs to local taxpayers.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following a required public notice and hearing for all funds except Custodial Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on a cash basis. Shelby County amended its budget June 2, 2020 by \$307,000. The majority of the budget increases were in the Public Safety and Legal Services (\$118,000); County Environment and Education (\$75,000); Government Services to Residents (\$35,000), Administration (\$70,000), and Capital Projects (\$28,000) functions.

The County's total receipts of \$12,616,313 were \$539,656 more than budgeted. The County's total disbursements of \$12,573,571 were \$574,452 less than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, Shelby County had approximately \$25.5 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is an approximate \$62,000 increase (including additions and deletions) from last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30	
	2019	2020
Land	\$ 331	331
Construction in Progress	62	--
Buildings and Improvements	2,135	1,983
Equipment and Vehicles	3,867	3,919
Infrastructure	19,033	19,257
Total	\$ 25,428	25,490

The County had depreciation expense of \$1,890,182 in Fiscal 2020 and total accumulated depreciation of \$18,163,973 at June 30, 2020. The County's Fiscal Year 2020 capital budget included \$4,375,000 for capital projects, principally for bridge construction. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2020, Shelby County had \$ - 0 - in general obligation notes outstanding, the same as June 30, 2019.

At June 30, 2020, Shelby County had \$30,436 (\$59,965 at June 30, 2019) outstanding in a capital lease purchase agreement.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the 1-1-2018 assessed value of all taxable property in the County. Shelby County's constitutional debt limit is approximately \$45.0 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Shelby County's elected officials and department heads considered many factors when setting the Fiscal Year 2021 budget, tax rates and the fees charged for various County activities. One of those factors is the rural economy. Though the unemployment rate remains low in Shelby County, the farm economy is lagging other economic areas.

Many variables were considered when adopting the Fiscal Year 2021 Budget. General Fund property taxes were increased this year by \$184,915, Rural Fund property taxes were not increased as reserves were calculated to be adequate. The County's tax asking over the last 10 years has averaged 2.69%. Expected revenues from Local Option Sales Tax, Licenses & Permits, Charges for Services and Use of Money and Property were estimated at a higher level to reduce property tax asking. As the County continues to try to hold the line on spending, budgeted expenditures in the General and Rural Services funds stayed steady excluding wages. Health insurance costs have not increased for fiscal year 2021 and the upcoming fiscal year 2022. Shelby County continues to work towards stabilizing reserve balances by targeting reserves for specific needs and to enable the County to cover any unforeseen expenditures and or investments toward the public good. The final Fiscal Year 2021 budget was adopted with a total tax rate decrease of \$.0308 per \$1,000 of taxable valuation and a total tax asking increase of \$192,196.

Health insurance costs have stabilized with the current health insurance group that Shelby County subscribes with. Shelby County has seen the self insurance savings fund grow to over \$372,000. New employee benefit offerings have been made available to fulltime County employees. Shelby County investments in IT infrastructure and equipment continue to be made; financial software updates will be implemented soon.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Shelby County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mark Maxwell, Shelby County Auditor, 612 Court St., Harlan, Iowa 51537-0650.

Shelby County
Statement of Net Position
June 30, 2020

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 5,251,819
Receivables:	
Property tax:	
Delinquent	81,347
Succeeding year	6,902,000
Interest and penalty on property tax	3,156
Accounts	439
Accrued interest	1,918
Due from other funds	28,047
Due from other governments	74,966
Prepaid insurance	53,796
Inventories	709,409
Capital assets (net of accumulated depreciation)	<u>25,490,369</u>
Total assets	<u>38,597,266</u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>814,930</u>
Liabilities	
Accounts payable	221,869
Salaries and benefits payable	127,906
Due to other governments	19,842
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreement	30,436
Compensated absences	731,236
Portion due or payable after one year:	
Net pension liability	<u>2,549,568</u>
Total liabilities	<u>3,680,857</u>
Deferred Inflows of Resources	
Unavailable property tax revenue	6,902,000
Pension related deferred inflows	<u>693,664</u>
Total deferred inflows of resources	<u>7,595,664</u>

(continued next page)

Shelby County
Statement of Net Position - continued
June 30, 2020

	<u>Governmental Activities</u>
Net Position	
Net investment in capital assets	\$ 25,459,933
Restricted for:	
Rural services purposes	497,920
Mental health purposes	146,794
Secondary roads purposes	2,178,839
Capital projects	312,371
Other purposes	708,647
Unrestricted	<u>(1,168,829)</u>
Total net position	<u>\$ 28,135,675</u>

See notes to financial statements.

Shelby County
Statement of Activities
Year ended June 30, 2020

	<u>Expenses</u>	<u>Program Revenues</u>
Functions/Programs:		
Governmental activities:		
Public safety and legal services	\$ 2,546,282	\$ 54,490
Physical health and social services	578,069	13,972
Mental health	300,159	--
County environment and education	643,069	195,397
Roads and transportation	7,135,866	--
Governmental services to residents	434,509	312,497
Administrative services	1,954,251	--
Interest on long-term debt	1,839	--
	<u>\$ 13,594,044</u>	<u>\$ 576,356</u>
Total		
General Revenues:		
Property and other county tax levied for:		
General purposes		
Penalty and interest on property tax		
Local option sales tax		
Tax increment financing		
State tax credits		
Unrestricted investment earnings		
Total general revenues		
Change in net position		
Net position beginning of year		
Net position end of year		

See notes to financial statements.

<u>Program Revenues</u>		
<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
\$ 83,549	\$ --	\$ (2,408,243)
178,304	--	(385,793)
--	--	(300,159)
8,717	--	(438,955)
4,343,575	1,157,664	(1,634,627)
4,355	--	(117,657)
68,724	--	(1,885,527)
--	--	(1,839)
<u>\$ 4,687,224</u>	<u>\$ 1,157,664</u>	<u>(7,172,800)</u>

6,301,375
 15,677
 604,647
 146,894
 404,216
99,240
7,572,049
 399,249
27,736,426
\$ 28,135,675

Shelby County
Balance Sheet
Governmental Funds

June 30, 2020

		Special Revenue	
	General	Rural Services	Secondary Roads
Assets			
Cash and pooled investments	\$ 1,434,739	\$ 479,134	\$ 1,954,982
Receivables:			
Property tax:			
Delinquent	53,046	24,573	--
Succeeding year	4,259,000	2,191,000	--
Interest and penalty on property tax	3,156	--	--
Accounts	--	--	100
Accrued interest	1,918	--	--
Due from other funds	27,737	--	94,719
Due from other governments	17,570	15,923	15,923
Inventories	--	--	709,409
Prepaid insurance	53,796	--	--
	<u>53,796</u>	<u>--</u>	<u>--</u>
Total assets	<u>\$ 5,850,962</u>	<u>\$ 2,710,630</u>	<u>\$ 2,775,133</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 23,190	\$ --	\$ 123,872
Salaries and benefits payable	45,152	--	76,665
Due to other funds	2,865	--	--
Due to other governments	17,939	--	1,502
Compensated absences	115,469	--	205,691
Total liabilities	<u>204,615</u>	<u>--</u>	<u>407,730</u>
Deferred Inflows of Resources:			
Unavailable revenues:			
Succeeding year property tax	4,259,000	2,191,000	--
Other	56,202	24,573	--
Total deferred inflows of resources	<u>4,315,202</u>	<u>2,215,573</u>	<u>--</u>

(continued next page)

<u>Nonmajor Funds</u>	<u>Total</u>
\$ 1,009,848	\$ 4,878,703
3,728	81,347
452,000	6,902,000
--	3,156
147	247
--	1,918
204	122,660
25,550	74,966
--	709,409
<u>--</u>	<u>53,796</u>
<u>\$ 1,491,477</u>	<u>\$ 12,828,202</u>

\$ 73,518	\$ 220,580
6,089	127,906
91,748	94,613
401	19,842
<u>46,104</u>	<u>367,264</u>
<u>217,860</u>	<u>830,205</u>

452,000	6,902,000
<u>3,728</u>	<u>84,503</u>
<u>455,728</u>	<u>6,986,503</u>

Shelby County
Balance Sheet
Governmental Funds - continued

June 30, 2020

	<u>General</u>	<u>Special Revenue</u> <u>Rural</u> <u>Services</u>	<u>Secondary</u> <u>Roads</u>
Fund balances:			
Nonspendable:			
Inventories	\$ --	\$ --	\$ 709,409
Prepaid insurance	53,796	--	--
Restricted for:			
Rural services purposes	--	495,057	--
Secondary roads purposes	--	--	1,657,994
Mental health purposes	--	--	--
Capital projects purposes	--	--	--
Other purposes	--	--	--
Unassigned	<u>1,277,349</u>	<u>--</u>	<u>--</u>
Total fund balances	<u>1,331,145</u>	<u>495,057</u>	<u>2,367,403</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,850,962</u>	<u>\$ 2,710,630</u>	<u>\$ 2,775,133</u>

See notes to financial statements.

<u>Nonmajor Funds</u>	<u>Total</u>
\$ --	\$ 709,409
--	53,796
--	495,057
--	1,657,994
168,890	168,890
312,371	312,371
336,628	336,628
--	1,277,349
<u>817,889</u>	<u>5,011,494</u>
 <u>\$ 1,491,477</u>	 <u>\$ 12,828,202</u>

Shelby County
Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Position

June 30, 2020

Total governmental fund balances (page 8)	\$ 5,011,494
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of capital assets is \$43,654,342 and the accumulated depreciation is \$18,163,973.	25,490,369
Certain assets are not available to pay for current period expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	84,503
The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities in the Statement of Net Position.	372,019
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:	
Deferred outflows of resources	\$ 814,930
Deferred inflows of resources	(693,664)
	121,266
Long-term liabilities, including capital lease purchase agreement payable, net pension liability and compensated absences payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(2,943,976)
Net position of governmental activities (page 5)	<u>\$ 28,135,675</u>

See notes to financial statements.

Shelby County
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds

Year ended June 30, 2020

	<u>General</u>	<u>Special Revenue</u> <u>Rural</u> <u>Services</u>	<u>Secondary</u> <u>Roads</u>
Revenues:			
Property and other County tax	\$ 3,847,105	\$ 2,104,493	\$ --
Local option sales tax	201,549	201,549	201,549
Interest and penalty on property tax	14,328	--	--
Intergovernmental	432,194	170,522	4,051,377
Licenses and permits	2,972	--	6,746
Charges for service	284,081	--	--
Use of money and property	99,240	--	--
Miscellaneous	70,823	--	255,835
Total revenues	<u>4,952,292</u>	<u>2,476,564</u>	<u>4,515,507</u>
Expenditures:			
Operating:			
Public safety and legal services	2,353,833	--	--
Physical health and social services	419,166	--	--
Mental health	--	--	--
County environment and education	27,414	141,328	--
Roads and transportation	--	--	6,245,608
Governmental services to residents	423,992	404	--
Administration	1,551,415	--	--
Debt service	--	--	--
Capital projects	--	--	129,838
Total expenditures	<u>4,775,820</u>	<u>141,732</u>	<u>6,375,446</u>
Excess (deficiency) of revenues over (under) expenditures	<u>176,472</u>	<u>2,334,832</u>	<u>(1,859,939)</u>

(continued next page)

<u>Nonmajor Funds</u>	<u>Total</u>
\$ 417,278	\$ 6,368,876
--	604,647
--	14,328
163,185	4,817,278
99,638	109,356
75,184	359,265
79	99,319
<u>25,543</u>	<u>352,201</u>
<u>780,907</u>	<u>12,725,270</u>
48,986	2,402,819
171,063	590,229
293,406	293,406
467,882	636,624
--	6,245,608
--	424,396
--	1,551,415
31,368	31,368
<u>352,685</u>	<u>482,523</u>
<u>1,365,390</u>	<u>12,658,388</u>
<u>(584,483)</u>	<u>66,882</u>

Shelby County
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds - continued

Year ended June 30, 2020

	<u>General</u>	<u>Special Revenue</u> <u>Rural</u> <u>Services</u>	<u>Secondary</u> <u>Roads</u>
Other financing sources (uses):			
Sale of capital assets	\$ --	\$ --	\$ 84,329
Operating transfers in	342,563	20,030	2,155,000
Operating transfers out	<u>(658,436)</u>	<u>(2,330,030)</u>	<u>(52,979)</u>
Total other financing sources (uses)	<u>(315,873)</u>	<u>(2,310,000)</u>	<u> 2,186,350</u>
Change in fund balances	(139,401)	24,832	326,411
Fund balances beginning of year	<u>1,470,546</u>	<u>470,225</u>	<u>2,040,992</u>
Fund balances end of year	<u>\$ 1,331,145</u>	<u>\$ 495,057</u>	<u>\$ 2,367,403</u>

See notes to financial statements.

<u>Nonmajor Funds</u>	<u>Total</u>
\$ --	\$ 84,329
664,834	3,182,427
<u>(140,982)</u>	<u>(3,182,427)</u>
<u>523,852</u>	<u>84,329</u>
(60,631)	151,211
<u>878,520</u>	<u>4,860,283</u>
<u>\$ 817,889</u>	<u>\$ 5,011,494</u>

Shelby County

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds to the Statement of Activities

Year ended June 30, 2020

Change in fund balances - Total governmental funds (page 11)	\$ 151,211
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.	
Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year as follows:	
Expenditures for capital assets	\$ 849,631
Capital assets contributed by the Iowa Department of Transportation	1,157,664
Depreciation expense	(1,890,182)
	117,113
In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources.	(54,712)
Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments exceeded issuances, as follows:	
Principal paid	29,529
Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are recognized as deferred inflows of resources in the governmental funds, as follows:	
Property tax	80,742
The current year County IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflow of resources in the Statement of Net Position.	425,136
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:	
Compensated absences	(5,484)
Pension expense	(529,659)
	(535,143)
The Internal Service Fund is used by management to charge the costs of employee health benefit to individual funds. The net revenue of the Internal Service Fund is reported with government activities.	185,373
Change in net position of governmental activities (page 6)	<u>\$ 399,249</u>

See notes to financial statements.

Shelby County
Statement of Net Position
Proprietary Funds
June 30, 2020

	Internal Service - Employee Group Health
	<u> </u>
Assets:	
Cash and cash equivalents	\$ 373,116
Accounts receivable	<u>192</u>
Total assets	373,308
Liabilities:	
Accounts payable	<u>1,289</u>
Total liabilities	<u>1,289</u>
Net position:	
Unrestricted	<u><u>\$ 372,019</u></u>

See notes to financial statements.

Shelby County
Statement of Revenues, Expenses, and Changes
in Fund Net Position

Proprietary Funds

June 30, 2020

	Internal Service - Employee Group Health
	<hr/>
Operating Revenues:	
Reimbursements from operating funds	\$ 246,861
Total operating revenues	<hr/> 246,861
Operating Expenses:	
Medical claims	58,624
Administrative fees and insurance premiums	<hr/> 2,864
Total operating expenses	<hr/> 61,488
Operating income	185,373
Net Position Beginning of Year	<hr/> 186,646
Net Position End of Year	<hr/> <hr/> \$ 372,019

See notes to financial statements.

Shelby County
Statement of Cash Flows
Proprietary Funds
June 30, 2020

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursement	\$ 246,669
Cash payments to suppliers for services	<u>(70,901)</u>
Net cash provided by operating activities	<u>175,768</u>
Net increase in cash and cash equivalents	175,768
Cash and cash equivalents at beginning of year	<u>197,348</u>
Cash and cash equivalents at end of year	<u>\$ 373,116</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 185,373
Adjustment to reconcile operating income to net cash provided by operating activities:	
Increase in accounts receivable	(192)
Decrease in accounts payable	<u>(9,413)</u>
Net cash provided by operating activities	<u>\$ 175,768</u>

See notes to financial statements.

Shelby County
Statement of Fiduciary Net Position
Custodial Funds
June 30, 2020

Assets

Cash and pooled investments:	
County Treasurer	\$ 1,773,540
Other County Officials	45,646
Receivables:	
Property tax:	
Delinquent	242,901
Succeeding year	18,373,000
Accounts	1,139
Special assessments	15,496
Due from other funds	204
Total assets	<u>20,451,926</u>

Liabilities

Accounts payable	33,324
Salaries and benefits payable	23,110
Due to other funds	28,251
Due to other governments	890,300
Trusts payable	2,222
Compensated absences	58,761
Total liabilities	<u>1,035,968</u>

Deferred Inflows of Resources

Unavailable property tax revenue	<u>18,373,000</u>
Net position	<u>\$ 1,042,958</u>

See notes to financial statements.

Shelby County
Statement of Changes in Fiduciary Net Position
Custodial Funds
June 30, 2020

Additions:	
Property and other County tax	\$ 17,225,781
E911 surcharge	233,087
State tax credits	1,383,886
Office fees and collections	274,000
Auto licenses, use tax and postage	4,723,194
Trusts	206,104
Miscellaneous	<u>1,817,605</u>
Total additions	25,863,657
Deductions:	
Agency Remittances:	
To other funds	232,831
To other governments	25,228,517
Trusts paid out	<u>246,848</u>
Total deductions	<u>25,708,196</u>
Changes in net position	155,461
Net position beginning of year, as restated	<u>887,497</u>
Net position end of year	<u>\$ 1,042,958</u>

See notes to financial statements.

Shelby County
Notes to Financial Statements
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Shelby County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Shelby County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Shelby County Assessor's Conference Board, Shelby County Emergency Management Commission, Shelby County Joint E-911 Service Board, Harrison/Monona/Shelby County Empowerment Area and Shelby County Area Solid Waste Agency. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in Custodial Funds of the County.

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: West Central Iowa Sheltered Workshop (WESCO), Southwest Iowa Planning Council (SWIPCO) and Southwest Iowa Juvenile Detention Center.

Shelby County
Notes to Financial Statements

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Position presents the County's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

Shelby County
Notes to Financial Statements

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, transfers from the General Fund and the Special Revenue, Rural Services Fund and other revenues to be used for secondary roads construction and maintenance.

Additionally, the County reports the following funds:

Proprietary Fund - An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost-reimbursement basis.

Fiduciary Funds - Custodial Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Shelby County
Notes to Financial Statements
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

Shelby County
Notes to Financial Statements

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is reported as deferred inflows of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2019.

Interest and Penalty on Property Tax Receivable - Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due from and Due to Other Funds - During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2020, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Shelby County
Notes to Financial Statements
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Capital Assets - Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 1980, are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 50,000
Land, buildings, and improvements	25,000
Intangibles	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated/amortized using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40 - 50
Building improvements	20 - 50
Land improvements	10 - 50
Infrastructure	30 - 50
Intangibles	5 - 20
Equipment and vehicles	3 - 20

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position applicable to future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the County after the measurement date but before the end of the County's reporting period.

Due to Other Governments - Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable - Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Shelby County

Notes to Financial Statements

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Compensated Absences - County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2020. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Secondary Roads and Conservation Funds.

Long-Term Liabilities - In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Position.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Secondary Roads and Conservation Funds.

Deferred Inflows of Resources - Deferred inflows of resources represents an acquisition of net position applicable to future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the fund financial statements consist of property tax receivable and other receivables not collected within sixty days after year end and succeeding year property tax receivable that will not be recognized until the year for which they are levied.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied, unrecognized items not yet charged to pension expense and the unamortized portion of the net difference between projected and actual earnings on pension plan assets.

Shelby County
Notes to Financial Statements
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Fund Balance - In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned - Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

Net Position - The net position of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2020, disbursements exceeded the amounts budgeted in the administration function and disbursements in certain departments exceeded the amounts appropriated.

NOTE 2 - CASH AND POOLED INVESTMENTS

The County's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

Shelby County
Notes to Financial Statements
June 30, 2020

NOTE 2 - CASH AND POOLED INVESTMENTS - Continued

Interest Rate Risk - The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

Credit Risk - The County had no investments with credit risk.

Concentration of Credit Risk - The County places no limit on the amount which may be invested in any one issuer.

NOTE 3 - DUE FROM AND DUE TO OTHER FUNDS

The detail of interfund receivables and payables at June 30, 2020 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Custodial:	
	County Recorder	\$ 20,406
	County Sheriff	7,331
		<u>27,737</u>
Special Revenue:	General	2,865
Secondary Roads	Special Revenue:	
	Tax Increment Financing	91,680
	Environmental Health	68
	Custodial:	
	Emergency Management Services	106
		<u>94,719</u>
Special Revenue:	Custodial:	
County Recorder's		
Records Management	County Recorder	204
Custodial:	Custodial:	
Recorder's Electronic		
Transfer Fee	County Recorder	<u>204</u>
Total		<u>\$ 122,864</u>

These balances result from the time lag between the dates interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system and payments between funds are made.

Shelby County
Notes to Financial Statements
June 30, 2020

NOTE 4 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Rural Services	\$ 200,000
	Secondary Roads	1,581
	Tax Increment Financing	<u>140,982</u>
		342,563
Special Revenue:	Special Revenue:	
Rural Services	Secondary Roads	20,030
Special Revenue:		
Secondary Roads	General	145,000
	Special Revenue:	
	Rural Services	<u>2,010,000</u>
		2,155,000
Capital Projects	General	208,481
	Special Revenue:	
	Rural Services	<u>120,030</u>
		328,511
Debt Service	Special Revenue:	
	Secondary Roads	31,368
Special Revenue:		
Conservation	General	191,090
Special Revenue:		
Tax Increment Financing	General	<u>113,865</u>
		<u>\$ 3,182,427</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Shelby County
Notes to Financial Statements
June 30, 2020

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2020 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 330,775	\$ --	\$ --	\$ 330,775
Construction in progress	<u>61,600</u>	<u>1,157,664</u>	<u>1,219,264</u>	<u>--</u>
Total capital assets not being depreciated/ amortized	<u>392,375</u>	<u>1,157,664</u>	<u>1,219,264</u>	<u>330,775</u>
Capital assets being depreciated/amortized:				
Buildings	4,720,808	--	--	4,720,808
Land improvements	63,667	--	--	63,667
Equipment and vehicles	10,862,971	911,231	344,665	11,429,537
Infrastructure, road network	<u>25,951,891</u>	<u>1,157,664</u>	<u>--</u>	<u>27,109,555</u>
Total capital assets being depreciated/amortized	<u>41,599,337</u>	<u>2,068,895</u>	<u>344,665</u>	<u>43,323,567</u>
Less accumulated depreciation/ amortization for:				
Buildings	2,620,300	149,374	--	2,769,674
Land improvements	28,650	3,184	--	31,834
Equipment and vehicles	6,995,943	804,197	289,953	7,510,187
Infrastructure, road network	<u>6,918,851</u>	<u>933,427</u>	<u>--</u>	<u>7,852,278</u>
Total accumulated depreciation/amortization	<u>16,563,744</u>	<u>1,890,182</u>	<u>289,953</u>	<u>18,163,973</u>
Total capital assets being depreciated/amortized, net	<u>25,035,593</u>	<u>178,713</u>	<u>54,712</u>	<u>25,159,594</u>
Governmental activities capital assets, net	<u>\$ 25,427,968</u>	<u>\$1,336,377</u>	<u>\$1,273,976</u>	<u>\$ 25,490,369</u>

Shelby County
Notes to Financial Statements
June 30, 2020

NOTE 5 - CAPITAL ASSETS - continued

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 141,195
Mental health	4,791
County environment and education	22,458
Roads and transportation	1,460,972
Governmental services to residents	10,809
Administrative services	<u>249,957</u>

Total depreciation/amortization expense - governmental activities	<u>\$1,890,182</u>
--	--------------------

Equipment costing \$147,160 was purchased under a capital lease purchase agreement. Accumulated depreciation on this asset totaled \$31,067 at June 30, 2020.

NOTE 6 - DUE TO OTHER GOVERNMENTS

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2020 is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 17,939
Special Revenue:		
Secondary Roads		1,502
Conservation		<u>401</u>
		<u>1,903</u>
Total for governmental funds		<u>\$ 19,842</u>
Custodial:		
Schools		\$ 190,480
Corporations		127,477
Auto License and Use Tax		503,784
All Other		<u>68,559</u>
Total for agency funds		<u>\$ 890,300</u>

Shelby County
Notes to Financial Statements
June 30, 2020

NOTE 7 - LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2020 is as follows:

	<u>Capital Lease Purchase Agreement</u>	<u>Net Pension Liability</u>	<u>Compensated Absences</u>	<u>Total</u>
Balance beginning of year	\$ 59,965	\$ 2,864,462	\$ 716,757	\$ 3,641,184
Increases	--	--	14,479	14,479
Decreases	<u>29,529</u>	<u>314,894</u>	<u>--</u>	<u>344,423</u>
Balance end of year	<u>\$ 30,436</u>	<u>\$ 2,549,568</u>	<u>\$ 731,236</u>	<u>\$ 3,311,240</u>
Due within one year	<u>\$ 30,436</u>	<u>\$ --</u>	<u>\$ 731,236</u>	<u>\$ 761,672</u>

Capital Lease Purchase Agreement

The County has entered into capital lease purchase agreement to lease a Caterpillar track type tractor with historical costs of \$147,160. The following is a schedule of the future minimum lease payments, including interest at rates of approximately 3.0% per annum and the present value of net minimum lease payments under the agreement in effect at June 30, 2020:

<u>Year Ending June 30,</u>	
2021	\$ 31,368
Total minimum lease payments	
Less amount representing interest	(932)
Present value of net minimum lease payments	<u>\$ 30,436</u>

Payments under the capital lease purchase agreement totaled \$31,368 for the year ended June 30, 2020.

NOTE 8 - PENSION PLAN

Plan Description - IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

Shelby County
Notes to Financial Statements

June 30, 2020

NOTE 8 - PENSION PLAN - Continued

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Sheriffs, deputies and protection occupation members may retire at normal retirement age, which is generally age 55. Sheriffs, deputies and protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a sheriff's, deputy's or protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Shelby County

Notes to Financial Statements

June 30, 2020

NOTE 8 - PENSION PLAN - Continued

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the County contributed 9.44% of covered payroll, for a total rate of 15.73%. The Sheriff, deputies and the County each contributed 9.51% of covered payroll, for a total rate of 19.02%. Protection occupation members contributed 6.61% of covered payroll and the County contributed 9.91% of covered payroll, for a total rate of 16.52%.

The County's contributions to IPERS for the year ended June 30, 2020 were \$425,136.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, the County reported a liability of \$2,549,568 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the County's proportion was 0.044029%, which was a decrease of 0.001236% from its proportion measured as of June 30, 2018.

Shelby County
Notes to Financial Statements
June 30, 2020

NOTE 8 - PENSION PLAN - Continued

For the year ended June 30, 2020, the County recognized pension expense of \$529,659. At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Total - All Groups</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 16,416	\$ 108,968
Changes of assumptions	360,503	79,829
Net difference between projected and actual earnings on IPERS investments	--	401,846
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	12,875	103,021
County contributions subsequent to the measurement date	<u>425,136</u>	<u>--</u>
	<u>\$ 814,930</u>	<u>\$ 693,664</u>

The \$425,136 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2021	\$ 20,054
2022	(144,653)
2023	(102,279)
2024	(71,125)
2025	<u>(5,867)</u>
	<u><u>\$ (303,870)</u></u>

There were no non-employer contributing entities to IPERS.

Shelby County
Notes to Financial Statements
June 30, 2020

NOTE 8 - PENSION PLAN - Continued

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rate of salary increase (effective June 30, 2017)	3.25% to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	<u>100%</u>	

Shelby County
Notes to Financial Statements

June 30, 2020

NOTE 8 - PENSION PLAN - Continued

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability	\$ 5,231,292	\$ 2,549,568	\$ 300,757

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS - All legally required County contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2020.

NOTE 9 - RISK MANAGEMENT

Shelby County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 779 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Shelby County
Notes to Financial Statements

June 30, 2020

NOTE 9 - RISK MANAGEMENT - Continued

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County's contributions to the Pool for the year ended June 30, 2020 were \$106,984.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the County's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2020, no liability has been recorded in the County's financial statements. As of June 30, 2020, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Shelby County
Notes to Financial Statements
June 30, 2020

NOTE 9 - RISK MANAGEMENT - Continued

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The County also carries commercial insurance purchased from other insurers for coverage associated with the Shelby County Care Facility and for employee blanket bond, and participates in the Iowa Municipalities Workers' Compensation Association (IMWCA) for Workman's Compensation insurance. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 10 - EMPLOYEE HEALTH INSURANCE PLAN

The Internal Service, Employee Group Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by County contributions and is administered through a service agreement with ISAC and Kingston Life and Health. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual out of pocket maximum of \$2,700 for single coverage and \$5,400 for family coverage. Claims in excess of the out of pocket maximums are insured through the purchase of insurance.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to ISAC and Kingston Life and Health from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2020 was \$246,669.

Shelby County
Notes to Financial Statements
June 30, 2020

NOTE 10 - EMPLOYEE HEALTH INSURANCE PLAN - Continued

Accounts payable from the Employee Group Health Fund at June 30, 2020 total \$1,289, which is for incurred but not recorded (IBNR) and reported but not paid claims. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement Number 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage. At June 30, 2020, the County has accumulated funds in excess of actual claims paid of \$372,019, which is reported as net position of the Internal Service, Employee Group Health Fund. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 10,702
Incurred claims (including claims incurred but not reported at June 30, 2020)	58,624
Payments:	
Payment on claims during the year	<u>68,037</u>
Unpaid claims end of year	<u>\$ 1,289</u>

NOTE 11 - TAX ABATEMENTS

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

Tax Abatements of Other Entities

Property tax revenues of the County were reduced by the following amounts for the year ended June 30, 2020 under agreements entered into by the following entities:

<u>Entity</u>	<u>Tax Abatement Program</u>	<u>Amount of Tax Abated</u>
City of Harlan	Urban renewal and economic development projects	\$ 1,962

Shelby County
Notes to Financial Statements
June 30, 2020

NOTE 12 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description: The County administers a single-employer benefit plan which provides medical, prescription drug and dental benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits: Individuals who are employed by the County and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical, prescription drug and dental benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	3
Active employees	<u>58</u>
Total	<u><u>61</u></u>

Net OPEB Obligation: Management of the County considers any OPEB obligation, which may exist, to be immaterial. No liability has been recorded.

NOTE 13 - COMMITMENT AND CONTINGENCY

Subsequent Events

The County has evaluated all subsequent events through February 16, 2021, the date the financial statements were available to be issued.

Shelby County
Notes to Financial Statements
June 30, 2020

NOTE 14 - COUNTY FINANCIAL INFORMATION INCLUDED IN THE SOUTHWEST
IOWA MENTAL HEALTH AND DISABILITY SERVICES REGION

Southwest Iowa Mental Health and Disability Services Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa includes the following member counties: Cass, Fremont, Harrison, Mills, Monona, Montgomery, Page, Pottawattamie, and Shelby. The financial activity of Shelby County's Special Revenue, Mental Health Fund is included in the Southwest Iowa Mental Health and Disability Services Region for the year ended June 30, 2020, as follows:

	<u>Mental Health</u>
Assets	
Cash and pooled investments	\$ 195,603
Receivables:	
Property Tax:	
Delinquent	3,728
Succeeding year	<u>285,000</u>
Total assets	<u>\$ 484,331</u>
Liabilities, Deferred Inflows of Resources and Fund Balance	
Liabilities:	
Salaries and benefits payable	\$ 4,069
Compensated absences	<u>22,644</u>
Total liabilities	<u>26,713</u>
Deferred Inflows of Resources:	
Unavailable Revenues:	
Succeeding year property tax	285,000
Other	<u>3,728</u>
Total deferred inflows of resources	<u>288,728</u>
Fund Balance:	
Restricted for:	
Mental Health purposes	<u>168,890</u>
Total fund balance	<u>168,890</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 484,331</u>

Shelby County
Notes to Financial Statements
June 30, 2020

NOTE 14 - COUNTY FINANCIAL INFORMATION INCLUDED IN THE SOUTHWEST
IOWA MENTAL HEALTH AND DISABILITY SERVICES REGION - Continued

Revenues:		
Property and other county tax		\$ 270,384
Intergovernmental revenues:		
State tax credits		<u>19,696</u>
Total revenues		<u>290,080</u>
Expenditures:		
General administration:		
Direct administration	\$ 236,406	
Distribution to regional fiscal agent	<u>57,000</u>	<u>293,406</u>
Total expenditures		<u>293,406</u>
Excess of expenditures over revenues		(3,326)
Fund balance beginning of the year		<u>172,216</u>
Fund balance end of the year		<u>\$ 168,890</u>

Shelby County
Notes to Financial Statements
June 30, 2020

NOTE 15 - ACCOUNTING CHANGE/RESTATEMENT

Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities, was implemented during fiscal year 2020. The new requirements change the definition of fiduciary activity and establish new financial reporting requirements for state and local governments which report fiduciary activity. Beginning net position for fiduciary funds was restated to retroactively report the change in net position, as follows:

	<u>Fiduciary Activities</u>
Net position June 30, 2019, as previously reported	\$ --
Change to implement GASBS No. 84	<u>887,497</u>
Net position July 1, 2019, as restated	<u>\$ 887,497</u>

* * *

REQUIRED SUPPLEMENTARY INFORMATION

Shelby County
 Budgetary Comparison Schedule of Receipts, Disbursements and
 Changes in Balances - Budget and Actual (Cash Basis)
 All Governmental Funds
 Required Supplementary Information

Year ended June 30, 2020

	<u>Actual</u>	<u>Less Funds not Required to be Budgeted</u>	<u>Net</u>
Receipts:			
Property and other County tax	\$ 6,968,648	\$ --	\$ 6,968,648
Interest and penalty on property tax	14,328	--	14,328
Intergovernmental	4,806,906	--	4,806,906
Licenses and permits	109,356	--	109,356
Charges for service	344,832	--	344,832
Use of money and property	108,440	--	108,440
Miscellaneous	263,803	--	263,803
Total receipts	<u>12,616,313</u>	<u>--</u>	<u>12,616,313</u>
Disbursements:			
Public safety and legal services	2,555,708	--	2,555,708
Physical health and social services	602,319	--	602,319
Mental health	292,460	--	292,460
County environment and education	518,496	--	518,496
Roads and transportation	6,064,782	--	6,064,782
Governmental services to residents	424,003	--	424,003
Administration	1,564,610	--	1,564,610
Debt service	19,474	--	19,474
Capital projects	531,719	--	531,719
Total disbursements	<u>12,573,571</u>	<u>--</u>	<u>12,573,571</u>
Excess (deficiency) of receipts over (under) disbursements	42,742	--	42,742
Other financing sources, net	<u>84,329</u>	<u>--</u>	<u>84,329</u>
Change in fund balances	127,071	--	127,071
Balance beginning of year	<u>4,751,632</u>	<u>--</u>	<u>4,751,632</u>
Balance end of year	<u>\$ 4,878,703</u>	<u>\$ --</u>	<u>\$ 4,878,703</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net Variance
\$ 7,032,928	\$ 7,032,928	\$ (64,280)
29,000	29,000	(14,672)
4,339,240	4,339,240	467,666
170,447	170,447	(61,091)
307,220	307,220	37,612
74,022	74,022	34,418
123,800	123,800	140,003
<u>12,076,657</u>	<u>12,076,657</u>	<u>539,656</u>
2,558,141	2,676,141	120,433
677,264	688,264	85,945
301,406	301,406	8,946
492,947	567,947	49,451
6,346,053	6,316,053	251,271
437,218	472,218	48,215
1,319,472	1,389,472	(175,138)
200,000	200,000	180,526
508,522	536,522	4,803
<u>12,841,023</u>	<u>13,148,023</u>	<u>574,452</u>
(764,366)	(1,071,366)	1,114,108
<u>--</u>	<u>--</u>	<u>84,329</u>
(764,366)	(1,071,366)	1,198,437
<u>4,324,264</u>	<u>4,324,264</u>	<u>427,368</u>
<u>\$ 3,559,898</u>	<u>\$ 3,252,898</u>	<u>\$ 1,625,805</u>

Shelby County
 Budgetary Comparison Schedule -Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2020

	Governmental Fund Types		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 12,616,313	\$ 108,957	\$ 12,725,270
Expenditures	<u>12,573,571</u>	<u>84,817</u>	<u>12,658,388</u>
Net	42,742	24,140	66,882
Other financing sources, net	84,329	--	84,329
Beginning fund balances	<u>4,751,632</u>	<u>108,651</u>	<u>4,860,283</u>
Ending fund balances	<u>\$ 4,878,703</u>	<u>\$ 132,791</u>	<u>\$ 5,011,494</u>

See accompanying independent auditor's report.

Shelby County

Notes to Required Supplementary Information - Budgetary Reporting

June 30, 2020

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units, the Internal Service Funds and Custodial Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$307,000. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2020, disbursements exceeded the amounts budgeted in the administration function and disbursements in certain departments exceeded the amounts appropriated.

See accompanying independent auditor's report.

Shelby County

Schedule of the County's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Six Fiscal Years

Required Supplementary Information

	<u>2020</u>	<u>2019</u>
County's proportion of the net pension liability	0.044029%	0.045265%
County's proportionate share of the net pension liability	\$ 2,550,000	\$ 2,864,000
County's covered payroll	\$ 4,356,000	\$ 4,229,000
County's proportionate share of the net pension liability as a percentage of its covered payroll	58.54%	67.72%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%

Note: In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year. Amounts reported are rounded.

See accompanying independent auditor's report.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.048905%	0.051039%	0.048288%	0.047081%
\$ 3,258,000	\$ 3,212,000	\$ 2,386,000	\$ 1,867,000
\$ 4,230,000	\$ 4,235,000	\$ 4,040,000	\$ 3,926,000
77.02%	75.84%	59.06%	47.55%
82.21%	81.82%	85.19%	87.61%

Shelby County
Schedule of County Contributions
Iowa Public Employees' Retirement System
For the Last 10 Years

Required Supplementary Information

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 425,000	\$ 416,000	\$ 383,000	\$ 384,000
Contributions in relation to the statutorily required contribution	<u>(425,000)</u>	<u>(416,000)</u>	<u>(383,000)</u>	<u>(384,000)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
County's covered payroll	\$ 4,479,000	\$ 4,356,000	\$ 4,229,000	\$ 4,230,000
Contributions as a percentage of covered payroll	9.49%	9.55%	9.06%	9.08%

Note: Amounts reported are rounded.

See accompanying independent auditor's report.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 384,000	\$ 369,000	\$ 358,000	\$ 345,000	\$ 313,000	\$ 277,000
<u>(384,000)</u>	<u>(369,000)</u>	<u>(358,000)</u>	<u>(345,000)</u>	<u>(313,000)</u>	<u>(277,000)</u>
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
\$ 4,235,000	\$ 4,040,000	\$ 3,926,000	\$ 3,872,000	\$ 3,732,000	\$ 3,759,000
9.07%	9.13%	9.12%	8.91%	8.39%	7.37%

Shelby County

Notes to Required Supplementary Information - Pension Liability

Year Ended June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

* * *

See accompanying independent auditor's report.

SUPPLEMENTARY INFORMATION

Shelby County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2020

	Special Revenue			
	County Recorder's Records Management	Mental Health	Recorder's Electronic Transaction Fee	Conservation
Assets				
Cash and pooled investments	\$ 15,275	\$ 195,603	\$ 845	\$ 69,302
Receivables:				
Property Tax:				
Delinquent	--	3,728	--	--
Succeeding year	--	285,000	--	--
Accounts	--	--	--	--
Due from other funds	204	--	--	--
Due from other governments	--	--	--	24,196
Total assets	<u>\$ 15,479</u>	<u>\$ 484,331</u>	<u>\$ 845</u>	<u>\$ 93,498</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ --	\$ --	\$ --	\$ 11,201
Salaries and benefits payable	--	4,069	--	1,614
Due to other funds	--	--	--	--
Due to other governments	--	--	--	401
Compensated absences	--	22,644	--	23,460
Total liabilities	<u>--</u>	<u>26,713</u>	<u>--</u>	<u>36,676</u>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	--	285,000	--	--
Other	--	3,728	--	--
Total deferred inflows of resources	<u>--</u>	<u>288,728</u>	<u>--</u>	<u>--</u>
Fund balances:				
Restricted for:				
Mental health	--	168,890	--	--
Capital projects	--	--	--	--
Other purposes	15,479	--	845	56,822
Total fund balances	<u>15,479</u>	<u>168,890</u>	<u>845</u>	<u>56,822</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 15,479</u>	<u>\$ 484,331</u>	<u>\$ 845</u>	<u>\$ 93,498</u>

(continued next page)

Special Revenue					
Resource Enhancement and Protection	Drug Forfeiture	Commissary	Flood and Erosion	Tax Increment Financing	Environmental Health
\$ 15,059	\$ 22,534	\$ 19,957	\$ 13,457	\$ 186,438	\$ 9,611
--	--	--	--	--	--
--	--	--	--	167,000	--
--	--	147	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
<u>\$ 15,059</u>	<u>\$ 22,534</u>	<u>\$ 20,104</u>	<u>\$ 13,457</u>	<u>\$ 353,438</u>	<u>\$ 9,611</u>
\$ 1,000	\$ --	\$ 360	\$ 160	\$ --	\$ 710
--	--	--	--	--	406
--	--	--	--	91,680	68
--	--	--	--	--	--
--	--	--	--	--	--
<u>1,000</u>	<u>--</u>	<u>360</u>	<u>160</u>	<u>91,680</u>	<u>1,184</u>
--	--	--	--	167,000	--
--	--	--	--	--	--
--	--	--	--	167,000	--
--	--	--	--	--	--
--	--	--	--	--	--
14,059	22,534	19,744	13,297	94,758	8,427
<u>14,059</u>	<u>22,534</u>	<u>19,744</u>	<u>13,297</u>	<u>94,758</u>	<u>8,427</u>
<u>\$ 15,059</u>	<u>\$ 22,534</u>	<u>\$ 20,104</u>	<u>\$ 13,457</u>	<u>\$ 353,438</u>	<u>\$ 9,611</u>

Shelby County
Combining Balance Sheet - Continued
Nonmajor Governmental Funds

June 30, 2020

	Special Revenue <u>Jail Room and Board</u>	<u>Debt Service</u>
Assets		
Cash and pooled investments	\$ 89,309	\$ --
Receivables:		
Property tax:		
Delinquent	--	--
Succeeding year	--	--
Accounts	--	--
Due from other funds	--	--
Due from other governments	1,354	
	<u> </u>	<u> </u>
Total assets	<u>\$ 90,663</u>	<u>\$ --</u>
Liabilities, Deferred Inflows of Resources and Fund Balances		
Liabilities:		
Accounts payable	\$ --	\$ --
Salaries and benefits payable	--	--
Due to other funds	--	--
Due to other governments	--	--
Compensated absences	--	--
Total liabilities	<u> </u>	<u> </u>
Deferred inflows of resources:		
Unavailable revenues:		
Succeeding year property tax	--	--
Other	--	--
Total deferred inflows of resources	<u> </u>	<u> </u>
Fund balances:		
Restricted for:		
Mental health	--	--
Capital projects	--	--
Other purposes	90,663	--
Total fund balances	<u>90,663</u>	<u> </u>
	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 90,663</u>	<u>\$ --</u>

See accompanying independent auditor's report.

<u>Capital Projects</u>	<u>Total</u>
\$ 372,458	\$ 1,009,848
--	3,728
--	452,000
--	147
--	204
--	25,550
<u>\$ 372,458</u>	<u>\$ 1,491,477</u>

\$ 60,087	\$ 73,518
--	6,089
--	91,748
--	401
--	46,104
<u>60,087</u>	<u>217,860</u>

--	452,000
--	3,728
<u>--</u>	<u>455,728</u>

--	168,890
312,371	312,371
--	336,628
<u>312,371</u>	<u>817,889</u>

<u>\$ 372,458</u>	<u>\$ 1,491,477</u>
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Shelby County
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2020

	Special Revenue			
	County Recorder's Records Management	Mental Health	Recorder's Electronic Transaction Fee	Conservation
Revenues:				
Property and other County tax	\$ --	\$ 270,384	\$ --	\$ --
Intergovernmental	--	19,696	--	97,147
Licenses and permits	--	--	--	--
Charges for service	2,148	--	--	48,098
Use of money and property	27	--	4	--
Miscellaneous	--	--	--	5,734
Total revenues	<u>2,175</u>	<u>290,080</u>	<u>4</u>	<u>150,979</u>
Expenditures:				
Operating:				
Public safety and legal services	--	--	--	--
Physical health and social services	--	--	--	--
Mental health	--	293,406	--	--
County environment and education	--	--	--	341,719
Debt service	--	--	--	--
Capital projects	--	--	--	--
Total expenditures	<u>--</u>	<u>293,406</u>	<u>--</u>	<u>341,719</u>
Excess (deficiency) of revenues over (under) expenditures	2,175	(3,326)	4	(190,740)
Other financing sources (uses):				
Operating transfers in	--	--	--	191,090
Operating transfers out	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>191,090</u>
Change in fund balances	2,175	(3,326)	4	350
Fund balances beginning of year	<u>13,304</u>	<u>172,216</u>	<u>841</u>	<u>56,472</u>
Fund balances end of year	<u>\$ 15,479</u>	<u>\$ 168,890</u>	<u>\$ 845</u>	<u>\$ 56,822</u>

(continued next page)

Special Revenue					
Resource Enhancement and Protection	Drug Forfeiture	Commissary	Flood and Erosion	Tax Increment Financing	Environmental Health
\$ --	\$ --	\$ --	\$ --	\$ 146,894	\$ --
10,299	--	--	--	--	36,043
--	--	--	--	--	99,638
--	--	--	--	--	13,942
11	37	--	--	--	--
--	5,000	10,201	--	--	284
<u>10,310</u>	<u>5,037</u>	<u>10,201</u>	<u>--</u>	<u>146,894</u>	<u>149,907</u>
--	500	8,172	--	--	--
--	--	--	--	--	171,063
--	--	--	--	--	--
4,525	--	--	11,173	110,465	--
--	--	--	--	--	--
--	--	--	--	--	--
<u>4,525</u>	<u>500</u>	<u>8,172</u>	<u>11,173</u>	<u>110,465</u>	<u>171,063</u>
5,785	4,537	2,029	(11,173)	36,429	(21,156)
--	--	--	--	113,865	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(140,982)</u>	<u>--</u>
--	--	--	--	(27,117)	--
5,785	4,537	2,029	(11,173)	9,312	(21,156)
<u>8,274</u>	<u>17,997</u>	<u>17,715</u>	<u>24,470</u>	<u>85,446</u>	<u>29,583</u>
<u>\$ 14,059</u>	<u>\$ 22,534</u>	<u>\$ 19,744</u>	<u>\$ 13,297</u>	<u>\$ 94,758</u>	<u>\$ 8,427</u>

Shelby County

Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances - Continued
Nonmajor Governmental Funds

Year ended June 30, 2020

	Special Revenue <u>Jail Room and Board</u>	<u>Debt Service</u>
Revenues:		
Property and other County tax	\$ --	\$ --
Intergovernmental	--	--
Licenses and permits	--	--
Charges for service	10,996	--
Use of money and property	--	--
Miscellaneous	--	--
Total revenues	<u>10,996</u>	<u>--</u>
Expenditures:		
Operating:		
Public safety and legal services	40,314	--
Physical health and social services	--	--
Mental health	--	--
County environment and education	--	--
Debt service	--	31,368
Capital projects	--	--
Total expenditures	<u>40,314</u>	<u>31,368</u>
Excess (deficiency) of revenues over (under) expenditures	(29,318)	(31,368)
Other financing sources (uses):		
Operating transfers in	--	31,368
Operating transfers out	--	--
Total other financing sources (uses)	<u>--</u>	<u>31,368</u>
Change in fund balances	(29,318)	--
Fund balances beginning of year	<u>119,981</u>	<u>--</u>
Fund balances end of year	<u>\$ 90,663</u>	<u>\$ --</u>

See accompanying independent auditor's report.

<u>Capital Projects</u>	<u>Total</u>
\$ --	\$ 417,278
--	163,185
--	99,638
--	75,184
--	79
<u>4,324</u>	<u>25,543</u>
<u>4,324</u>	<u>780,907</u>
--	48,986
--	171,063
--	293,406
--	467,882
--	31,368
<u>352,685</u>	<u>352,685</u>
<u>352,685</u>	<u>1,365,390</u>
(348,361)	(584,483)
328,511	664,834
<u>--</u>	<u>(140,982)</u>
<u>328,511</u>	<u>523,852</u>
(19,850)	(60,631)
<u>332,221</u>	<u>878,520</u>
<u>\$ 312,371</u>	<u>\$ 817,889</u>

Shelby County
Combining Schedule of Fiduciary Net Position
Custodial Funds

June 30, 2020

	County Offices		Agricultural
	County Recorder	County Sheriff	Extension Education
Assets			
Cash and pooled investments:			
County Treasurer	\$ --	\$ --	\$ 1,595
Other County officials	31,544	14,102	--
Receivables:			
Property tax:			
Delinquent	--	--	3,194
Succeeding year	--	--	267,000
Accounts	1,139	--	--
Special assessments	--	--	--
Due from other funds	--	--	--
Total assets	<u>32,683</u>	<u>14,102</u>	<u>271,789</u>
Liabilities			
Accounts payable	--	--	--
Salaries and benefits payable	--	--	--
Due to other funds	20,814	7,331	--
Due to other governments	11,869	4,549	4,789
Trusts payable	--	2,222	--
Compensated absences	--	--	--
Total liabilities	<u>32,683</u>	<u>14,102</u>	<u>4,789</u>
Deferred Inflows of Resources			
Unavailable revenues	<u>--</u>	<u>--</u>	<u>267,000</u>
Net Position			
Restricted for individuals, organizations and other governments	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

(continued next page)

<u>County Assessor</u>	<u>Emergency Management Services</u>	<u>Sanitary Disposal District</u>	<u>Schools</u>	<u>Community Colleges</u>	<u>Corporations</u>
\$ 335,335	\$ 90,748	\$ 75,105	\$ 64,203	\$ 7,309	\$ 49,146
--	--	--	--	--	--
3,078	--	--	126,277	14,468	78,331
247,000	--	--	10,594,000	1,162,000	4,624,000
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
<u>585,413</u>	<u>90,748</u>	<u>75,105</u>	<u>10,784,480</u>	<u>1,183,777</u>	<u>4,751,477</u>
2,503	1,142	23,032	--	--	--
859	16,163	6,088	--	--	--
--	106	--	--	--	--
--	--	--	190,480	21,777	127,477
--	--	--	--	--	--
<u>9,926</u>	<u>45,816</u>	<u>3,019</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>13,288</u>	<u>63,227</u>	<u>32,139</u>	<u>190,480</u>	<u>21,777</u>	<u>127,477</u>
<u>247,000</u>	<u>--</u>	<u>--</u>	<u>10,594,000</u>	<u>1,162,000</u>	<u>4,624,000</u>
<u>\$ 325,125</u>	<u>\$ 27,521</u>	<u>\$ 42,966</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

Shelby County
Combining Schedule of Fiduciary Net Position - Continued
Custodial Funds

June 30, 2020

	<u>Townships</u>	<u>Auto License and Use Tax</u>	<u>Brucellosis and Tuberculosis Eradication</u>
Assets			
Cash and pooled investments:			
County Treasurer	\$ 1,483	\$ 503,784	\$ 16
Other County officials	--	--	--
Receivables:			
Property tax:			
Delinquent	4,458	--	31
Succeeding year	430,000	--	2,000
Accounts	--	--	--
Special assessments	--	--	--
Due from other funds	--	--	--
	<u>435,941</u>	<u>503,784</u>	<u>2,047</u>
Total assets			
Liabilities			
Accounts payable	--	--	--
Salaries and benefits payable	--	--	--
Due to other funds	--	--	--
Due to other governments	5,941	503,784	47
Trusts payable	--	--	--
Compensated absences	--	--	--
	<u>5,941</u>	<u>503,784</u>	<u>47</u>
Total liabilities			
Deferred Inflows of Resources			
Unavailable revenues	<u>430,000</u>	<u>--</u>	<u>2,000</u>
Net Position			
Restricted for individuals, organizations and other governments	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

(continued next page)

<u>Monies and Credits</u>	<u>City Special Assessments</u>	<u>County Hospital</u>	<u>M/H/S Empowerment</u>	<u>E911</u>	<u>Advance Tax</u>
\$ --	\$ --	\$ 6,523	\$ 1	\$ 436,047	\$ 83,938
--	--	--	--	--	--
--	--	13,064	--	--	--
--	--	1,047,000	--	--	--
--	--	--	--	--	--
--	15,496	--	--	--	--
--	--	--	--	--	--
--	15,496	1,066,587	1	436,047	83,938
--	--	--	--	1,425	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	19,587	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	19,587	--	1,425	--
--	--	--	--	--	--
--	--	1,047,000	--	--	--
\$ --	\$ 15,496	\$ --	\$ 1	\$ 434,622	\$ 83,938

Shelby County
Combining Schedule of Fiduciary Net Position - Continued
Custodial Funds

June 30, 2020

	<u>Tax Sale</u>	<u>Recorder's Electronic Transfer Fee</u>
Assets		
Cash and pooled investments:		
County Treasurer	\$ --	\$ 768
Other County officials	--	--
Receivables:		
Property tax:		
Delinquent	--	--
Succeeding year	--	--
Accounts	--	--
Special assessments	--	--
Due from other funds	<u> --</u>	<u> 204</u>
Total assets	<u> --</u>	<u> 972</u>
Liabilities		
Accounts payable	--	--
Salaries and benefits payable	--	--
Due to other funds	--	--
Due to other governments	--	--
Trusts payable	--	--
Compensated absences	<u> --</u>	<u> --</u>
Total liabilities	<u> --</u>	<u> --</u>
Deferred Inflows of Resources		
Unavailable revenues	<u> --</u>	<u> --</u>
Net Position		
Restricted for individuals, organizations and other governments	<u>\$ --</u>	<u>\$ 972</u>

See accompanying independent auditor's report.

<u>Tri County Haz Mat</u>	<u>Hotel/Motel Tax</u>	<u>Total</u>
\$ 67,747	\$ 49,792	\$ 1,773,540
--	--	45,646
--	--	242,901
--	--	18,373,000
--	--	1,139
--	--	15,496
--	--	204
<u>67,747</u>	<u>49,792</u>	<u>20,451,926</u>
--	5,222	33,324
--	--	23,110
--	--	28,251
--	--	890,300
--	--	2,222
--	--	58,761
<u>--</u>	<u>5,222</u>	<u>1,035,968</u>
<u>--</u>	<u>--</u>	<u>18,373,000</u>
<u>\$ 67,747</u>	<u>\$ 44,570</u>	<u>\$ 1,042,958</u>

Shelby County
Combining Schedule of Changes in Fiduciary Net Position
Custodial Funds

Year ended June 30, 2020

	<u>County Offices</u>		<u>Agricultural Extension Education</u>
	<u>County Recorder</u>	<u>County Sheriff</u>	
Additions:			
Property and other County tax	\$ --	\$ --	\$ 253,595
E911 surcharge	--	--	--
State tax credits	--	--	16,871
Office fees and collections	231,068	40,780	--
Auto licenses, use tax and postage	--	--	--
Trusts	--	206,104	--
Miscellaneous	--	--	--
Total additions	<u>231,068</u>	<u>246,884</u>	<u>270,466</u>
Deductions:			
Agency Remittances:			
To other funds	76,998	--	--
To other governments	154,070	36	270,466
Trusts paid out	--	246,848	--
Total deductions	<u>231,068</u>	<u>246,884</u>	<u>270,466</u>
Changes in net position	--	--	--
Net position beginning of year, as restated	<u>--</u>	<u>--</u>	<u>--</u>
Net position end of year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

(continued next page)

<u>County Assessor</u>	<u>Emergency Management Services</u>	<u>Sanitary Disposal District</u>	<u>Schools</u>	<u>Community Colleges</u>	<u>Corporations</u>
\$ 226,302	\$ --	\$ --	\$ 10,095,842	\$ 1,118,533	\$ 3,927,142
--	--	--	--	--	--
16,261	--	--	675,208	77,652	508,860
--	--	--	--	--	--
--	--	--	--	--	--
75	760,844	902,324	--	--	--
<u>242,638</u>	<u>760,844</u>	<u>902,324</u>	<u>10,771,050</u>	<u>1,196,185</u>	<u>4,436,002</u>
--	--	--	--	--	--
168,825	786,184	887,412	10,771,050	1,196,185	4,436,002
--	--	--	--	--	--
<u>168,825</u>	<u>786,184</u>	<u>887,412</u>	<u>10,771,050</u>	<u>1,196,185</u>	<u>4,436,002</u>
73,813	(25,340)	14,912	--	--	--
<u>251,312</u>	<u>52,861</u>	<u>28,054</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>\$ 325,125</u>	<u>\$ 27,521</u>	<u>\$ 42,966</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

Shelby County
Combining Schedule of Changes in Fiduciary Net Position - Continued
Custodial Funds

Year ended June 30, 2020

	<u>Townships</u>	<u>Auto License and Use Tax</u>	<u>Brucellosis and Tuberculosis Eradication</u>
Additions:			
Property and other County tax	\$ 414,269	\$ --	\$ 2,260
E911 surcharge	--	--	--
State tax credits	19,650	--	165
Office fees and collections	--	--	--
Auto licenses, use tax and postage	--	4,723,194	--
Trusts	--	--	--
Miscellaneous	--	--	--
Total additions	<u>433,919</u>	<u>4,723,194</u>	<u>2,425</u>
Deductions:			
Agency Remittances:			
To other funds	--	155,833	--
To other governments	433,919	4,567,361	2,425
Trusts paid out	--	--	--
Total deductions	<u>433,919</u>	<u>4,723,194</u>	<u>2,425</u>
Changes in net position	--	--	--
Net position beginning of year, as restated	<u>--</u>	<u>--</u>	<u>--</u>
Net position end of year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

(continued next page)

Monies and Credits	City Special Assessments	County Hospital	M/H/S Empowerment	E911	Advance Tax
\$ --	\$ --	\$ 992,344	\$ --	\$ --	\$ 83,938
--	--	--	--	233,087	--
--	--	69,009	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
1,115	--	--	4	--	--
<u>1,115</u>	<u>--</u>	<u>1,061,353</u>	<u>4</u>	<u>233,087</u>	<u>83,938</u>
--	--	--	--	--	--
1,115	24,549	1,061,353	23,113	175,229	77,815
--	--	--	--	--	--
<u>1,115</u>	<u>24,549</u>	<u>1,061,353</u>	<u>23,113</u>	<u>175,229</u>	<u>77,815</u>
--	(24,549)	--	(23,109)	57,858	6,123
--	40,045	--	23,110	376,764	77,815
<u>\$ --</u>	<u>\$ 15,496</u>	<u>\$ --</u>	<u>\$ 1</u>	<u>\$ 434,622</u>	<u>\$ 83,938</u>

Shelby County
Combining Schedule of Changes in Fiduciary Net Position - Continued
Custodial Funds

Year ended June 30, 2020

	<u>Tax Sale</u>	<u>Recorder's Electronic Transfer Fee</u>
Additions:		
Property and other County tax	\$ 64,329	\$ --
E911 surcharge	--	--
State tax credits	--	--
Office fees and collections	--	2,152
Auto licenses, use tax and postage	--	--
Trusts	--	--
Miscellaneous	--	--
Total additions	<u>64,329</u>	<u>2,152</u>
Deductions:		
Agency Remittances:		
To other funds	--	--
To other governments	64,329	2,085
Trusts paid out	--	--
Total deductions	<u>64,329</u>	<u>2,085</u>
Change in net position	--	67
Net position beginning of year, as restated	<u>--</u>	<u>905</u>
Net position end of year	<u>\$ --</u>	<u>\$ 972</u>

See accompanying independent auditor's report.

<u>Tri County Haz Mat</u>	<u>Hotel/Motel Tax</u>	<u>Total</u>
\$ --	\$ 47,227	\$ 17,225,781
--	--	233,087
--	210	1,383,886
--	--	274,000
--	--	4,723,194
--	--	206,104
<u>153,191</u>	<u>52</u>	<u>1,817,605</u>
<u>153,191</u>	<u>47,489</u>	<u>25,863,657</u>
--	--	232,831
85,444	39,550	25,228,517
--	--	246,848
<u>85,444</u>	<u>39,550</u>	<u>25,708,196</u>
67,747	7,939	155,461
<u>--</u>	<u>36,631</u>	<u>887,497</u>
<u>\$ 67,747</u>	<u>\$ 44,570</u>	<u>\$ 1,042,958</u>

Shelby County

Schedule of Revenues by Source and Expenditures by Function -
All Governmental Fund Types

For the Last Ten Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Revenues:				
Property and other				
County tax	\$ 6,826,629	\$ 6,615,718	\$ 6,469,164	\$ 6,559,880
Tax increment financing	146,894	57,445	181,331	140,234
Interest and penalty on				
property tax	14,328	27,507	29,947	28,624
Intergovernmental	4,817,278	4,569,057	5,320,816	4,952,628
Licenses and permits	109,356	157,920	139,653	141,059
Charges for service	359,265	385,433	368,427	367,903
Use of money and				
property	99,319	107,400	81,647	89,573
Miscellaneous	<u>352,201</u>	<u>388,355</u>	<u>271,534</u>	<u>225,650</u>
Total	<u>\$ 12,725,270</u>	<u>\$ 12,308,835</u>	<u>\$ 12,862,519</u>	<u>\$ 12,505,551</u>
Expenditures:				
Operating:				
Public safety and				
legal services	\$ 2,402,819	\$ 2,523,482	\$ 2,335,906	\$ 2,360,918
Physical health and				
social services	590,229	572,509	561,312	509,425
Mental health	293,406	267,025	252,776	559,483
County environment				
and education	636,624	645,822	460,264	431,338
Roads and transportation	6,245,608	6,481,274	5,830,583	5,192,904
Governmental services				
to residents	424,396	346,100	433,517	430,661
Administration	1,551,415	1,491,349	1,244,556	1,172,202
Debt service	31,368	31,368	31,368	31,368
Capital projects	<u>482,523</u>	<u>620,213</u>	<u>1,680,578</u>	<u>858,579</u>
Total	<u>\$ 12,658,388</u>	<u>\$ 12,979,142</u>	<u>\$ 12,830,860</u>	<u>\$ 11,546,878</u>

See accompanying independent auditor's report.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 6,343,651	\$ 6,251,376	\$ 6,226,025	\$ 6,018,898	\$ 5,497,892	\$ 5,215,187
141,634	30,793	153,444	163,392	170,546	207,367
29,467	28,463	33,500	32,714	33,573	36,535
5,254,930	4,416,581	4,364,656	4,252,778	5,254,445	5,706,279
143,831	172,207	239,354	242,254	242,540	228,293
384,469	365,174	358,102	342,226	380,921	369,928
77,224	79,508	90,264	101,166	99,918	126,998
<u>250,436</u>	<u>363,234</u>	<u>285,037</u>	<u>270,345</u>	<u>263,017</u>	<u>258,350</u>
<u>\$ 12,625,642</u>	<u>\$ 11,707,336</u>	<u>\$ 11,750,382</u>	<u>\$ 11,423,773</u>	<u>\$ 11,942,852</u>	<u>\$ 12,148,937</u>
\$ 2,260,330	\$ 2,271,208	\$ 2,149,071	\$ 1,741,777	\$ 1,907,682	\$ 1,803,117
484,342	469,750	635,697	549,195	620,882	525,054
817,638	974,212	1,467,374	1,413,578	2,669,056	2,581,235
434,663	423,493	414,598	446,524	547,057	449,106
5,758,022	4,957,777	4,835,398	4,530,985	4,593,683	4,368,341
506,713	410,031	435,007	387,162	424,453	393,236
1,124,841	1,264,584	1,068,644	1,136,782	1,048,413	1,039,502
--	--	--	735,750	130,989	132,059
<u>966,170</u>	<u>428,546</u>	<u>692,430</u>	<u>644,998</u>	<u>854,740</u>	<u>1,240,684</u>
<u>\$ 12,352,719</u>	<u>\$ 11,199,601</u>	<u>\$ 11,698,219</u>	<u>\$ 11,586,751</u>	<u>\$ 12,796,955</u>	<u>\$ 12,532,334</u>

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Officials of Shelby County

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Shelby County, Iowa, as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 16, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Shelby County's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Shelby County's internal control. Accordingly, we do not express an opinion on the effectiveness of Shelby County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Officials of Shelby County

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Shelby County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters which are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings and Responses.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Shelby County's Responses to the Findings

Shelby County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Shelby County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Granville, Ben, Kohn & Co. P.C.

Atlantic, Iowa
February 16, 2021

Shelby County
Schedule of Findings and Responses
Year ended June 30, 2020

Part I: Internal Control Deficiencies

No matters were noted.

Part II: Other Findings Related To Required Statutory Reporting

- 20-II-A Certified Budget: Disbursements during the year ended June 30, 2020 exceeded the amounts budgeted in the administration function and disbursements in certain departments exceeded the amounts appropriated.
- Recommendation: The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.
- Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.
- Response: We will amend the budget when required and appropriations will be watched more closely by the departments.
- Conclusion: Response accepted.
- 20-II-B Questionable Expenditures: No expenditures were noted that meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 20-II-C Travel Expense: No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- 20-II-D Business Transactions: No business transactions between the County and County officials were noted.
- 20-II-E Restricted Donor Activity: No transactions were noted between the County, County officials, County employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- 20-II-F Bond Coverage: Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- 20-II-G Board Minutes: No transactions were found that we believe should have been approved in the Board minutes but were not.
- 20-II-H Deposits and Investments: No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.

Shelby County

Schedule of Findings and Responses - Continued

Year ended June 30, 2020

Part II: Other Findings Related to Required Statutory Reporting - Continued

20-II-I Resource Enhancement and Protection Certification: The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

20-II-J County Extension Office: The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2020 for the County Extension Office did not exceed the amount budgeted.

20-II-K Urban Renewal Annual Report: The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

20-II-L Tax Increment Financing (TIF): No instances of non-compliance with the division of taxes in accordance with Chapter 403.19(6)(a)(1) of the Code of Iowa were noted.

20-II-M Economic Development: During the year ended June 30, 2020, the County paid \$25,000 to the Shelby County Chamber of Commerce & Industry. The County Board of Supervisors has documented the public benefits received from this expenditure, however, it is disclosed here for public information.

According to Chapter 15A of the Code of Iowa and an Attorney General's opinion dated August 28, 1986, government financing of economic development may, in appropriate circumstances, serve a public purpose. The opinion advises the governing body to evaluate the public benefits to be obtained and discusses the specific criteria to be considered in documenting public purpose.

Recommendation: The Board should continue to evaluate and document the public purpose served by these expenditures before authorizing further payments.

Response: We will continue to evaluate and document the public purpose in the future.

Conclusion: Response accepted.

* * *